

May 2022

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Note: The charts below show the performance of local and foreign equity indices on a time-series basis, year-to-date (from 1 January to 31 May)

Foreign Equity Indices

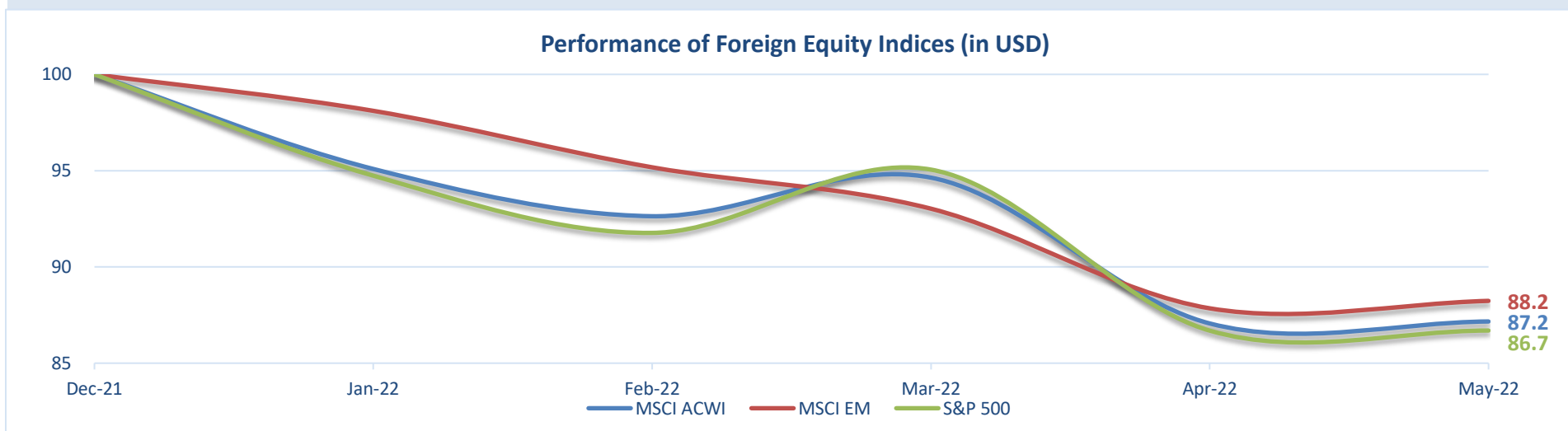
| | Current Value (in USD) | Last month | Year-to-Date | Last 12 months | Last 3 Years* | Last 5 Years* <i>*annualised</i> |
|------------------------------|---------------------------|------------|--------------|----------------|---------------|-------------------------------------|
| MSCI EM (Emerging Markets) | 536.7 | 0.4% | -11.8% | -19.8% | 5.0% | 3.8% |
| MSCI World Index | 8,490.7 | 0.1% | -13.0% | -4.8% | 12.6% | 9.7% |
| MSCI All Country World Index | 339.1 | 0.1% | -12.8% | -6.8% | 11.7% | 9.0% |
| MSCI EFM Africa | 1,189.6 | 0.4% | 3.7% | -8.7% | 3.2% | 1.1% |
| MSCI ACWI ESG Leaders Index | 2,309.4 | -0.4% | -14.1% | -6.9% | 12.0% | 9.3% |
| S&P 500 | 4,132.2 | 0.0% | -13.3% | -1.7% | 14.5% | 11.4% |
| S&P 500 ESG Index | 465.5 | 0.4% | -12.4% | 2.4% | 18.5% | 14.8% |

| | | | | | | |
|-----------------------|---------|-------|--------|-------|------|------|
| EuroStoxx 50 (in EUR) | 3,789.2 | -0.4% | -11.8% | -6.2% | 4.9% | 1.3% |
| FTSE 100 (in GBP) | 7,607.7 | 0.8% | 3.0% | 8.3% | 2.0% | 0.2% |

The risk-off environment continued to prevail in foreign markets during May. There were concerns on rising inflation, further monetary tightening, the continuing war in Ukraine, Covid-19 restrictions in China, monkeypox outbreaks in some countries and supply chain challenges. Markets were little changed in May. At the start of the month, the US Federal Reserve hiked interest rates by 0.5%, its biggest hike in two decades to fight inflation. The first three weeks of the month were quite volatile. However, over the last week of May, foreign equities rebounded and rallied to finish close to unchanged. The MSCI All Country World Index, the MSCI World Index and the S&P 500 remained range-bound over the month.

Technology and growth stocks remained the most affected by the prospect of higher rates and inflation. The Nasdaq Composite Index fell by 2.1% in May.

Eurozone inflation hit a record high, surging by 8.1% in May. European stocks dropped amid investor concerns that soaring inflation will pressure the European Central Bank to act more aggressively, which could lead to an economic slowdown (source: Bloomberg). The EuroStoxx 50 lost 0.4% during the month.



Year-to-date, most of the foreign equity indices were in the red. The MSCI All Country World Index was down by 12.8% for the year. The benchmark US Index, the S&P 500 Index shed 13.3% over the same period.

Moreover, since the start of this year, the MSCI ACWI Value Weighted Index returned -5%, significantly outperforming the MSCI ACWI Growth Index which fell by nearly 10% over the same period. However, on the longer-term (5-Year period), growth stocks delivered much higher returns than value stocks (16% annualised for the MSCI ACWI Growth Index vs 9% for the MSCI ACWI Value Weighted Index).

Currencies

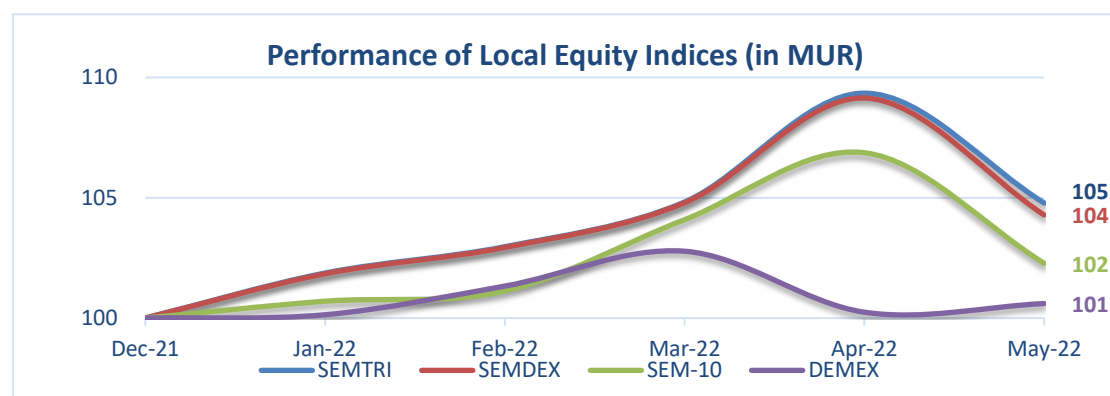
| In MUR | Current Value (MUR) | Past Month | Last month | Year-to-Date | Last 12 Months | Last 3 Years* <i>*annualised</i> |
|--------|---------------------|------------|------------|--------------|----------------|-------------------------------------|
| GBP | 54.62 | 53.51 | 2.1% | -6.4% | -4.6% | 6.9% |
| USD | 43.45 | 42.98 | 1.1% | 0.0% | 7.2% | 6.8% |
| EUR | 46.58 | 45.09 | 3.3% | -4.8% | -5.3% | 5.7% |

The Pound, the US Dollar and the Euro all appreciated relative to the local currency over the month of May.

Since the start of this year, the US Dollar remained flat against the MUR. On the other hand, the Pound and the EUR lost 6.4% and 4.8% against the Rupee over the same period.

Local Equity Indices

| | Current Value (in MUR) | Last month | Year-to-Date | Last 12 months | Last 3 Years* | Last 5 Years* <i>*annualised</i> |
|--------|------------------------|------------|--------------|----------------|---------------|----------------------------------|
| SEMDEX | 2,187.8 | -4.5% | 4.3% | 27.7% | 0.8% | 1.1% |
| SEM-10 | 396.8 | -4.3% | 2.3% | 24.4% | -1.4% | -0.3% |
| DEMEX | 305.4 | 0.1% | -0.1% | 15.7% | 10.1% | 7.6% |
| SEMTRI | 8,744.3 | -4.2% | 4.8% | 30.8% | 3.3% | 3.7% |
| DEMTRI | 462.2 | 0.4% | 0.6% | 18.4% | 12.5% | 10.6% |
| SEMSI | 117.2 | -5.1% | 2.7% | 27.2% | -0.9% | -0.6% |



May was not a positive month for the local equity market. The Official Market indices fell sharply during the month.

The SEMDEX and SEMTRI shed 4.5% and 4.2%, respectively in May. Moreover, the SEM-10 also dropped 4.3%.

The DEMEX remained almost unchanged for the month.

Year-to-date, the SEM indices were nevertheless, in the green as at end-May 2022.

Repo Rate

On 03 June 2022, the Monetary Policy Committee (MPC) of the Bank of Mauritius raised the Key Repo Rate by 0.25% to 2.25%. This move was mainly in view of increasing inflationary pressures on the local economy.

Budget 2022-2023

The Minister of Finance, Economic Planning and Development, Dr. the Honourable Renganaden Padayachy, presented the Budget 2022-2023, 'With the People, for the People', on 07 June 2022. GDP is forecasted to grow by 8.5% for 2022-2023. Budget deficit is expected to be at 4% of GDP. Public sector debt is estimated to fall from 87.4% to 78% of GDP by end of June 2023.

Local Yields & Inflation Rate

Consumer Price Index (Mauritius)

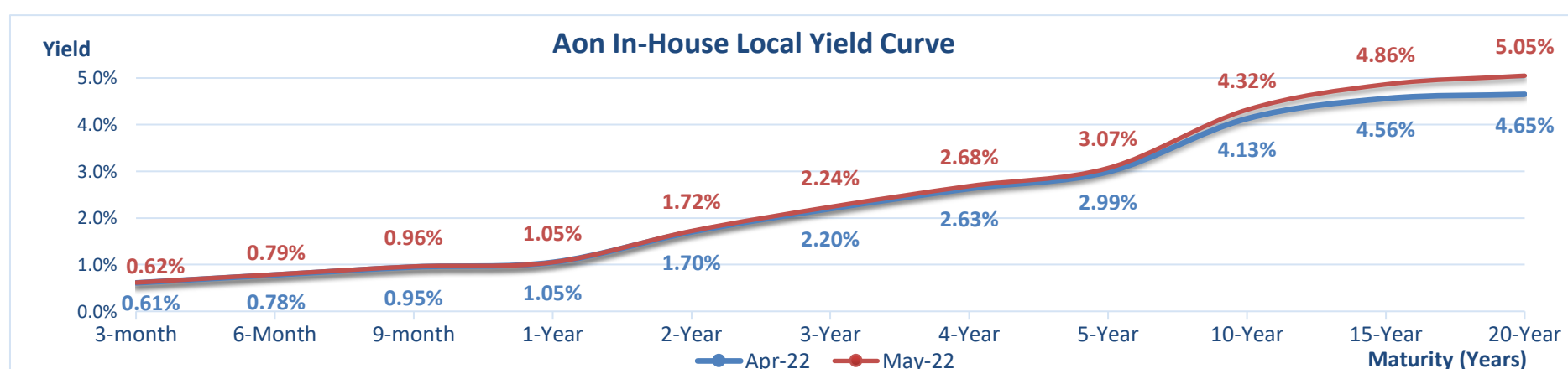
| | Current Value | Last month | Year-to-Date | Last 12 months | Last 3 Years* <i>*annualised</i> |
|----------------|---------------|------------|--------------|----------------|----------------------------------|
| Inflation Rate | 183.2 | 0.5% | 7.3% | 10.7% | 5.2% |

The above figures represent the CPI as at end-May 2022. Year-on-year inflation rose to 10.7% in May 2022, compared to 2.4% in May 2021. Headline inflation, calculated as the annual average over the 12-months ending May 2022 worked out to 7.7%. (source: Statistics Mauritius)

Recent Issues by the BoM

| Weighted Average | T-Bill Yield |
|------------------|--------------|
| 91-Day | 0.75% |
| 182-Day | 0.86% |
| 364-Day | 1.05% |
| Repo Rate | 2.25% |
| Deposit Rate * | 0.50% |

*Weighted Average Deposit Rate of Banks as at April 2022



Note: Key information for the yield curve is obtained from primary dealers.

Local yields of shorter maturities remained flat during the month. Longer-term yields moved slightly higher in May. The yield on a 20-Year Government of Mauritius Bond stood at 5.05% as at end-May 2022, compared to 4.65% as at end of the previous month. However, in real terms, local yields were much below the inflation rate.

| Local Bond Index | Current Value (in MUR) | Last month | Year-to-Date | Last 12 months | Last 3 Years* | Last 5 Years* <i>*annualised</i> |
|------------------------------------|------------------------|------------|--------------|----------------|---------------|----------------------------------|
| S&P Mauritius Sovereign Bond Index | 164.47 | -0.8% | -0.3% | -0.7% | 4.6% | 4.8% |

The S&P Mauritius Sovereign Bond Index tracks the performance of Rupee-denominated sovereign debt publicly issued by the Government of Mauritius in its domestic market. Over last month, the index lost 0.8%.

Commodities & Other Investments

| | Current Value (in USD) | Last month | Year-to-Date | Last 12 months | Last 3 Years* | Last 5 Years* <i>*annualised</i> |
|---------------------------|------------------------|------------|--------------|----------------|---------------|----------------------------------|
| Gold | 1,848.4 | -3.3% | 1.1% | -3.3% | 12.3% | 7.7% |
| Oil | 115.6 | 5.7% | 48.6% | 66.8% | 21.5% | 18.1% |
| S&P GSCI Index | 4,079.4 | 5.1% | 47.0% | 63.8% | 19.5% | 13.0% |

In spite of the prevailing uncertainties in the financial markets, the price of Gold (which is generally considered as a safe haven) fell by 3.3% in May. Rising global yields and a stronger US Dollar weighed down on the metal, which yields no interest. Since the start of 2022, the price of gold was up by 1.1% as at end of May.

On 30 May, the European Union leaders agreed to cut 90% of oil imports from Russia by the end of this year (*source: Reuters*). This fuelled worries of a even tighter market, which was already strained for supply amid rising demand. Oil price rose by 5.7% in May, bringing its year-to-date gains to nearly 49%!

The ongoing conflict between Ukraine and Russia continued to keep commodity and energy prices elevated. The S&P GSCI Index went up by 5.1% in May.

| Alternatives: Foreign Indices | Current Value (USD) | Last month | Year-to-Date | Last 12 Months | Last 3 Years* <i>*annualised</i> |
|--------------------------------------|---------------------|------------|--------------|----------------|----------------------------------|
| S&P Global Property | 543.3 | -4.3% | -12.3% | -4.7% | 3.0% |
| S&P Listed Private Equity | 461.9 | 1.1% | -18.1% | -6.6% | 15.2% |
| S&P Global Infrastructure | 6,573.7 | 3.7% | 7.8% | 8.7% | 8.2% |

| Foreign Bond Indices | Current Value (USD) | Last month | Year-to-Date | Last 12 Months | Last 3 Years* <i>*annualised</i> |
|--|---------------------|------------|--------------|----------------|----------------------------------|
| S&P Africa Sovereign Bond | 996.5 | 0.1% | 2.4% | 8.2% | 9.9% |
| S&P 500 Bond Index | 476.1 | 0.9% | -11.8% | -9.4% | 1.1% |
| S&P International CBI | 122.8 | -0.2% | -15.0% | -19.9% | -1.5% |
| Bloomberg Global Aggregate Total Return Index | 473.5 | 0.3% | -11.1% | -13.2% | -1.4% |

| Other Indices | Current Value (USD) | Last month | Year-to-Date | Last 12 Months | Last 3 Years* <i>*annualised</i> |
|------------------------------|---------------------|------------|--------------|----------------|----------------------------------|
| Renaissance IPO Index | 341.8 | -12.4% | -46.2% | -49.3% | 2.1% |

In the backdrop of policy rate hikes, global yields continued on an upward trend in May.

As at end-May, the benchmark US 10-Year yield stood at 2.85%.

Given the inverse relationship between yield movements and bond prices, the Bloomberg Global Aggregate Total Return Index had shed 11%, year-to-date.

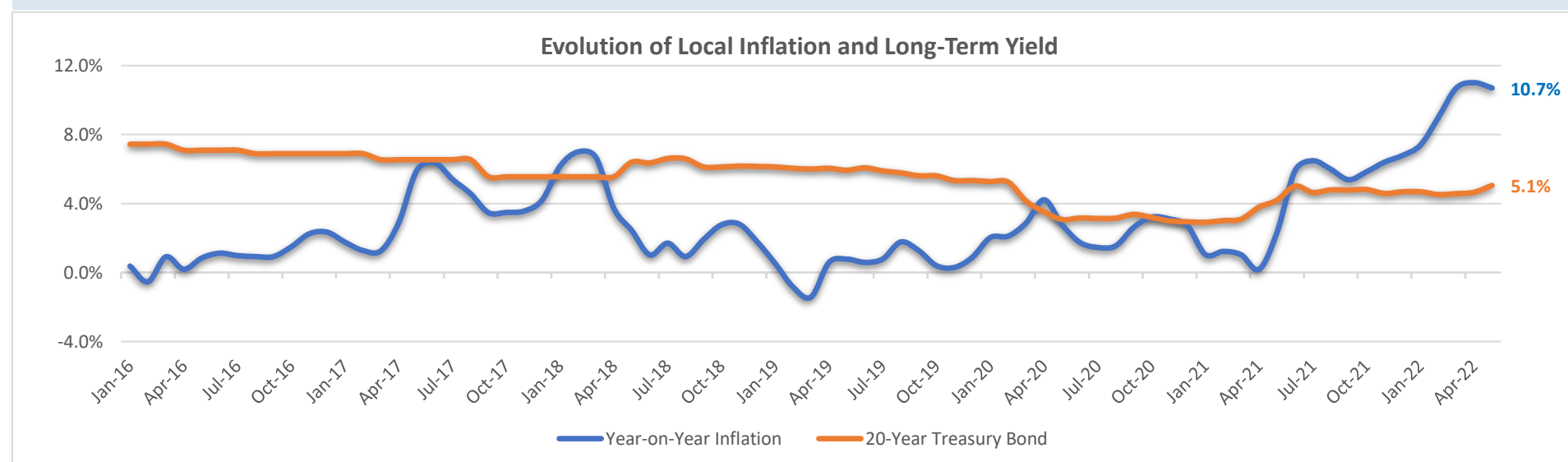
In this risk-off environment, many investors were reluctant to take their chance on a new company. The Renaissance IPO Index dropped 12.4% in May and was down by 46.2%, year-to-date. *Note that the term "risk off" is used to describe the risk sentiment where traders and investors in the financial market reduce their exposure to risk and focus on protecting their capital.*

This month's Analysis

Evolution of Local Long-term Yields and Inflation Rate

Economic theory suggests that while short-term yields move in tandem with policy rates, longer-term yields reflect market expectations about economic activity and inflation. Expectations of higher inflation are expected to drive up long-term interest rates to compensate for the perceived loss of purchasing power in future.

The below graph shows the evolution of the yield on the 20-Year Government of Mauritius Bond against the local year-on-year inflation (computed as the change in Consumer Price Index) since January 2016.



As can be seen, inflation rates were much more volatile than the long-term yields. Recently, with the sharp rise in the local inflation rate since 2021, the 20-Year Yield has remained almost flat and significantly below the inflation rate. Therefore, the 20-Year Government of Mauritius Bond is currently offering negative real rates.

Disclaimer: Nothing in this document should be considered as being financial advice. Past performance is not a guide to the future. Our investment consultants will be pleased to answer questions on its contents but cannot give individual financial advice.

Source: Stock Exchange of Mauritius, Bank of Mauritius, Statistics Mauritius, MSCI, Bloomberg, Investing, etc.